

RECORDATION NO. 10313-A Filed 1425
RECORDATION NO. 10313-C Filed 1425

GREENBERG IRWIN PELLMAN & SLADE
COUNSELORS AT LAW
AUG 27 1979 - II 15 PM

INTERSTATE COMMERCE COMMISSION

HAROLD GREENBERG
STEPHEN IRWIN
STUART M. PELLMAN
MELVIN S. SLADE
FREDERICK R. BIEHL

JOHN F. TRIGGS
ELLIOTT D. HEFLER
J. ANDREW RAHL, JR.
FRANK J. HARITON
SIDNEY M. SEGALL

9-233A033

AUG 27 1979

Fee \$ 3.50

CC Washington, D.C.

RECORDATION NO. 10313B Filed 1425

AUG 27 1979 - II 15 PM

INTERSTATE COMMERCE COMMISSION
AUG 27 1979

540 MADISON AVENUE
NEW YORK, N.Y. 10022

RECORDATION NO. 10313-D Filed 1425

AUG 27 1979 - II 15 PM

INTERSTATE COMMERCE COMMISSION

Office of the Secretary
Division of Recordations
Interstate Commerce Commission
12th Street & Constitution Ave., N.W.
Washington, D.C.

RECORDATION NO. 10313-E Filed 1425

AUG 27 1979 - II 15 PM

INTERSTATE COMMERCE COMMISSION

Re: Equipment Trust Agreement
recorded recordation No. 10313
on April 26, 1979.

RECORDATION NO. 10313-F Filed 1425

Gentlemen:

We enclose the following documents for recordation pursuant to Section 11303 of the Revised Interstate Commerce Act. We request that you record one original of each document and return all other copies or originals to us bearing your recordation stamp:

1. Five Leases dated August 22, 1978 between Emons Industries, Inc. and Waterloo Railroad Company. These should be recorded as documents 10313-A through 10313-E.

2. Supplement to Lease No. 1 between Emons Industries, Inc. and Waterloo Railroad Company. This should be recorded as documents No. 10313 and 10313-F.

3. Bill of Sale from Emons Railcar Corp. to Emons Industries, Inc. This document should be recorded as document 10313-G.

4. Bill of Sale from Emons Industries, Inc., to the Chase Manhattan Bank N.A. This document should be recorded as document No. 10313-H.

5. Acknowledgment of Notice of Assignment executed by Waterloo Railroad Company. This document should be recorded as document No. 10313-I.

RECORDATION NO. 10313-J Filed 1425

AUG 27 1979 - II 15 PM

INTERSTATE COMMERCE COMMISSION

Handwritten note:
Lambertson
Frankly
Hank

August 24, 1979

Office of the Secretary
Division of Recordations
Interstate Commerce Commission

6. Equipment Trust Agreement Supplement No. 1,
between Emons Industries, Inc. and The Chase Manhattan
Bank N.A. This document should be recorded as document
10313-J.

Also enclosed is our check for \$350 in payment of your
fees.

If you have any questions regarding the enclosed, please
contact the undersigned.

Very truly yours,


Frank J. Hariton

FJH:mm
Encls.

8/27/79

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Frank J. Hariton

Greenberg, Irwin Pellman & Slade
540 Madison Ave.
New York 10022

Dear Sir

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 8/27/79 at 11:15am, and assigned re-recording number(s). 10313a,b,c,d,e,f,g,h,i,j,

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

AUG 27 1979 -11 15 PM

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT No. 1

Lease Agreement made and entered into this 22nd day of August, 1978, between Emons Industries, Inc., (hereinafter called "Lessor") and Waterloo Railroad Company (hereinafter called "Lessee").

W I T N E S S E T H :

WHEREAS, Lessor owns or will acquire railroad freight cars and desires to lease certain railroad cars to Lessee; and

WHEREAS, Lessee is agreeable to leasing railroad cars from Lessor, subject to the terms and conditions of this Lease Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Scope of Agreement

A. Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor during the term of this Lease Agreement, One hundred (100) seventy ton, fifty foot boxcars constructed for Lessor by Illinois Central Gulf Railroad Company, hereinafter collectively referred to as the "Boxcars".

B. Lessee shall place its identifying marks on the Boxcars and shall collect mileage charges and car-hire revenues (including both regular per diem and when applicable incentive per diem). It is understood that title to the Boxcars shall at all times be and remain in Lessor and that Lessee shall not have any right, title, or interest in and to any of the Boxcars, except as a lessee hereunder. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing

intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Lease Agreement shall remain in full force until it shall have been terminated as to all of the Boxcars. The initial term of the lease as to each Boxcar shall commence on acceptance and shall extend for fifteen (15) years from the date of acceptance of the last Boxcar, unless sooner terminated as hereinafter provided.

B. If this Lease Agreement has not been earlier terminated and no Event of Default (as defined herein) has occurred and is continuing, the term with respect to each Boxcar shall be automatically extended for not more than five consecutive periods of twelve months each after the end of the initial term. Either party shall have the right to terminate the lease as to any Boxcar upon expiration of the initial term or any renewal term applicable to such Boxcar by giving written notice, in the case of the initial term, at least ninety (90) days but no more than one hundred and eighty (180) days prior to the expiration of the initial term or in the case of any renewal term, sixty (60) days prior to expiration of such renewal term.

3. Supply Provisions

A. Lessor will inspect each Boxcar tendered by the manufacturer for delivery to Lessee. If the Boxcar conforms to the Specifications of the equipment ordered by Lessor, and to all applicable governmental regulatory specifications, Lessor will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. The lease shall commence as to each

Boxcar upon acceptance by Lessor and notwithstanding that Lessee may not have immediate physical possession upon completion of construction of the Boxcar, Lessee agrees to begin on said date the payment to Lessor of the charges provided for in this Lease Agreement.

B. Lessee agrees to use reasonable efforts, consistent with Lessee's then current car utilization practices, to keep Lessor's Boxcars in regular service.

4. Railroad Markings

A. Lessor agrees that at Lessor's expense the Boxcars will be lettered with the name and/or other insignia used or designated by Lessee. In addition, the Boxcars will be lettered, at Lessor's expense, with the name of the owner and/or the bank or other financial institution as a secured party. Such name or insignia shall comply with all applicable regulations and shall be affixed to the Boxcars in the space directly above Lessee's reporting marks.

B. Unless prohibited from doing so, Lessee shall during the term of this Lease Agreement prepare and file all documents related to the registration, maintenance and record-keeping function normally performed by Lessee with respect to equipment similar to the Boxcars. Such matters shall include, but are not limited to: (1) registration of the equipment in the Official Railway Equipment Register and the Universal Machine Language Equipment Register (UMLER); and (2) such reports as may be required from time to time by the I.C.C. and/or other regulatory agencies with respect to the equipment. Nothing in the foregoing shall restrict or prohibit Lessor from preparing and filing such elections, contents or reports as may be necessary or required by reason of its ownership of the Boxcars.

C. Lessee, at Lessor's expense for all reasonably incurred costs, shall on behalf of Lessor and at the direction of Lessor, perform, or arrange for the performance of, all record-keeping functions related to the use of the Boxcars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car-hire reconciliation. The cost of such functions required as of the date of this Agreement is \$1.25 per car per month. Lessor agrees to pay any additional cost required because additional records or record-keeping functions are required and any increased costs due to increased labor rates (plus costs based therein). Correspondence from railroads using such Boxcars shall be addressed to Lessee at such address as Lessee shall select.

D. All record-keeping performed by Lessee hereunder and all record of payments, charges and correspondence related to the Boxcars shall be recorded and maintained by Lessee in a form suitable for reasonable inspection by Lessor from time to time during the regular business hours of Lessee or the person who has possession of such records. Lessee shall supply Lessor with such reports regarding the use of Boxcars by Lessee on its railroad line as Lessor may reasonably request. All expenses incurred by or for Lessee related to record-keeping required herein shall be reimbursed to Lessee by Lessor on a calendar quarter basis.

5. Maintenance, Taxes and Insurance

A. Lessor will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each Boxcar during the Lease term and any extension thereof as to such Boxcar, including but not

limited to repairs, maintenance and servicing unless the same is proximately caused by the negligence of Lessee while the Boxcar was in the physical possession of Lessee. All proceeds collected by Lessor from any applicable warranty or claim against a third party shall be used to repair the Boxcars to which it applies, except as provided in Section 6 (2) hereof.

If a Boxcar is damaged on the line of a third party railroad, Lessee agrees to use its best reasonable efforts to obtain payment of the appropriate amount pursuant to Rule 107 of the Field Manual of the Association of American Railroads (AAR) Interchange Rules and shall remit such amount to Lessor. Lessor shall remain responsible for arranging for repair of such Boxcar.

B. It is the intent that Lessor have all of the rights and obligations of the owner of the Equipment (including but not limited to inspection, maintenance, repair obligations), except for any rights reserved or given to Lessee herein including but not limited to the right to collect car-hire payments. Lessee shall have the right at Lessor's expense to perform all such obligations required of an owner under the Code of Interchange Rules promulgated by the * AAR and Lessee may make or cause to be made corrections to "Owner's Responsibility" defects as defined in Rule 96 of the Field Manual of the AAR Interchange Rules at Lessor's expense to facilitate continued use of a Boxcar, but shall not otherwise make any repairs, alterations, improvements or additions to the Boxcars without Lessor's prior written consent. If Lessee does not, for any reason, perform such obligations required of an owner or does not make such corrections, Lessee shall follow instructions

given by Lessor to accomplish such corrections at Lessor's expense. Furthermore, Lessee agrees that it will not perform or authorize performance (when authorization is necessary) of any repair work costing in excess of Five Hundred Dollars (\$500), without Lessor's written consent. Such Five Hundred Dollar limitation shall be subject to escalation in accordance with any increase in standard AAR labor rates. If Lessee makes a material alteration to any Boxcar without Lessor's prior written consent, Lessee shall be liable to Lessor for any car-hire revenues lost due to such alteration. Title to any such alteration, improvement or addition occurring in the course of or as a result of normal and customary maintenance shall be and remain with Lessor.

Lessor shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Boxcars in good operating condition throughout the term of the Lease Agreement.

C. Lessee will at all times while this Lease Agreement is in effect be responsible for the Boxcars while they are on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules - Freight for cars not owned by Lessee which are operating on Lessee's railroad tracks. However, nothing in said Rule 7 shall be construed to require Lessee to be responsible for car-hire payments when one or more of the Boxcars are on Lessee's line. Lessee agrees to enforce on Lessor's behalf and at Lessor's direction and expense all rights against carriers handling a unit of Equipment which becomes damaged while on such carrier's line.

D. Lessor agrees, at its expense, to keep the Boxcars adequately insured. Lessor shall defend, protect and indemnify Lessee against the consequences of any and all liability involving the Boxcars (except liability proximately caused by the negligence of Lessee) by obtaining insurance naming Lessee as an insured party. All said insurance shall protect all interests of Lessee and be for such risks including the liability for public liability and property damage and shall provide for limits acceptable to Lessee with a deductible which does not exceed \$100,000. The policies shall be written by insurers acceptable to Lessee and shall provide for ten (10) days written notice of cancellation, restriction or reduction of coverage. Certificates evidencing such insurance shall be delivered to Lessee prior to commencement of the lease term as to the first Boxcar.

E. Lessor agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Boxcar which may be accrued, levied, assessed or imposed on Lessee during the term of this Lease Agreement (except for taxes based on Lessee's income). Lessor shall have the right at its sole risk and expense to contest any such taxes, assessments or governmental charges. Lessee agrees to give reasonable assistance to Lessor in connection with the conduct of such protests, but Lessee shall have the right to take action regarding such matter as Lessee deems appropriate and in the best interest of Lessee. Lessor shall assume responsibility for all liability, costs and penalties resulting because of such contest and agrees to indemnify Lessee therefor.

Statements as to Taxes which are payable to the Iowa taxing authorities are generally available approximately 30 days prior to due date for payment. Upon receipt of such tax bills or statements by Lessee, Lessee will furnish a statement to Lessor of the amount for which Lessor is responsible hereunder. Lessor agrees to promptly remit such amount to Lessee so that it can be used for payment of the tax bills before they become overdue. If Lessor's payment is delayed, Lessor shall be responsible for any liability, costs and penalties for which Lessee becomes obligated because of such delay. Except to the extent permitted by law while conducting a contest of any such tax by appropriate proceedings, Lessor will not withhold payment to Lessee because of a dispute over the amount due, but Lessor and Lessee will resolve such dispute at a later time.

Lessor shall identify in writing its authorized representative relative to tax matters under this Lease Agreement. Lessee shall consult with such authorized representative prior to filing of any tax report or tax return involving the Boxcars in order to give such authorized representative a reasonable opportunity to make recommendations to minimize Lessor's tax responsibility. Lessor agrees that such recommendations will be made in a manner which will not delay Lessee in meeting any deadline of the taxing authority. Lessee agrees to follow any reasonable recommendation made by Lessor's authorized

representative so long as such recommendation does not, in Lessee's sole reasonable opinion, adversely affect Lessee in any way. Lessor shall be responsible for all additional costs and expenses, incurred by Lessee in following such recommendation, and all liability, costs and penalties resulting from following such recommendations.

Lessee agrees to give Lessor's authorized representative prior notice of any meeting conducted with the taxing authority regarding taxes for which Lessor is responsible hereunder. Such notice shall be given in order to give Lessor's authorized representative reasonable opportunity to attend such meeting.

Lessor shall have the right at its sole risk and expense to contest or appeal any ruling made by any taxing authority regarding taxes for which Lessor is responsible hereunder.

F. Upon written notice from Lessee, Lessor agrees to pay to Lessee prior to the due date of Lessee's next succeeding rental payment, the amount charged to Lessee for repairs to one or more of the Boxcars which are performed by railroads other than Lessee. Timely payment is required to enable Lessee to meet its obligation to such other railroad.

6. Rental Charges

The term "Maximum Utilization" relative to the Boxcars shall mean utilization of the Boxcars which results in the collection of the maximum car-hire revenues (exclusive of mileage and penalties) which the Boxcars could have earned in a given period of time.

Lessee agrees to pay the following rental charges to Lessor with respect to Boxcars:

(1) Subject to item (5) of this Section 6, an amount equal to 100% (one-hundred percent) of the mileage charges and penalties relative to the Boxcars collected (by payment or credit) by Lessee from other railroads in a calendar quarter plus an amount equal to the other car-hire revenues (including, but not limited to, both per diem and incentive per diem) collected (by payment or credit) by Lessee from other railroads up to 85% (eighty-five percent) of Maximum Utilization for such calendar quarter. Lessee shall retain all car-hire revenues above 85% (eighty-five percent) of Maximum Utilization for such quarter.

Lessee agrees to use its best reasonable efforts to collect any amounts due from other railroads for car hire and any penalties collected shall be added to car-hire revenues to determine the amount due to Lessor hereunder. If Lessee fails to use its best reasonable efforts to collect any amounts due from another railroad after receipt by Lessee of written notice from Lessor specifying such failure and specifying reasonable action that is available to Lessee to collect such amount, Lessor shall have the right to proceed by appropriate court action to obtain a decree requiring specific performance by Lessee.

(2) In the event destruction of a Boxcar has been reported in accordance with Rule 107 of the Field Manual of the A.A.R. Interchange Rules and the appropriate amount due as a result thereof is received by Lessor, said destroyed Boxcar will be removed from this Lease Agreement as of the date that payment of car-hire revenues ceased. * Title to any destroyed Boxcar shall be covered by the applicable provisions of the AAR Interchange Rules.

For purposes of this sub-Section (2), the term "destroyed" shall be defined as set forth in said Rule 107.

Upon receipt of the appropriate amount, Lessee shall promptly remit same to Lessor.

(3) In the event that utilization in any quarterly period shall fall below 75% (seventy-five percent) of the Maximum Utilization for such quarter, Lessor may, at its sole option and expense and upon not less than fifteen (15) days prior written notice to Lessee, terminate this Lease Agreement as to such number of Boxcars as Lessor shall desire up to the number which must be eliminated to arrive at 85% (eighty-five percent) of Maximum Utilization in the applicable quarterly period.

In the event utilization falls below 85% (eighty-five percent) of Maximum Utilization in any quarterly period, Lessor may, at its option upon not less than fifteen (15) days prior written notice, require Lessee to suspend Car Service Rules 1 and 2 as to the Boxcars.

If such utilization falls below 75% (seventy-five percent) of Maximum Utilization or 85% (eighty-five percent) of Maximum Utilization in any quarterly period, Lessee shall have the right to eliminate Lessor's remedies for such shortfall by remitting to Lessor an amount of money which, when added to other car-hire earnings derived by the Boxcars in the said quarterly period, will give Lessor the level of earnings expected if such utilization had attained the level of 75% (seventy-five percent) of Maximum Utilization or 85% (eighty-five percent) of Maximum Utilization (as the case may be).

(4) To enable Lessor to meet its financial commitments, Lessee shall pay to Lessor on a monthly basis

an amount equal to the car-hire revenues which the Boxcars would have earned had they achieved 85% (eighty-five percent) of Maximum Utilization plus 100% (one-hundred percent) of the mileage and penalties actually collected by or credited to Lessee on the Boxcars during such month. The monthly payments shall be made within seventy (70) days after the end of each such month.

The calculations required in sub-Sections 1, 2 and 3 above shall be made as soon as practicable but in any event within four months and ten days after the end of each calendar quarter and any adjustment of the amount paid by Lessee as hereinbefore provided shall be made within ten (10) days after the end of said four-month and ten day period by payment of an additional amount from Lessee to Lessor or by repayment by Lessor to Lessee. If Lessor fails to repay any amount due hereunder, Lessee shall have the right to retain rental payments to cover such amount.

(5) Lessor may, at its sole option and expense, terminate this Lease Agreement if the I.C.C. shall, at any time issue an order which has the effect of eliminating incentive per diem as to the Boxcars without a corresponding increase in standard per diem or other revenues available to Lessee as to the Boxcars in an amount at least equal to the amount of such reduction.

(6) Lessee shall have the right to grant per diem relief to an affiliated railroad performing repairs to any of the Boxcars during the period of work on said Boxcar, unless damages occurred on the line of such affiliate. No such per diem relief shall be given for performance of ordinary running repairs. Upon exercise of such right by Lessee, Lessee shall promptly notify Lessor of the circumstances and conditions relative to the damaged Boxcar or Boxcars.

7. Possession and Use

A. So long as Lessee is not in default under this Lease Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the terms of this Lease Agreement and in the manner and to the extent Boxcars are customarily used in the railroad freight business. Lessee agrees that to the extent it has physical possession and can control use of the Boxcars, the Boxcars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either Lessor or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim (hereinafter jointly and severally referred to as "Impositions") on or with respect to the Boxcars or any interest therein or in this Lease Agreement, except any Impositions created, assumed or suffered by Lessor. Lessee will, at its expense, promptly take such action as may be necessary to duly discharge any such Impositions if the same shall arise at any time, except for Impositions created, assumed or suffered by Lessor.

8. Default Remedies Upon Default

A. The occurrence of any of the following events shall be an Event of Default:

(i) The nonpayment by Lessee of any sum required hereunder to be paid by Lessee within fifteen (15) days after receipt by Lessee of written notice thereof;

(ii) The default by Lessee under any other term, covenant or condition of this Lease Agreement which is not cured within thirty (30) days after receipt by Lessee of written notice thereof from Lessor;

(iii) Any affirmative act of insolvency by Lessee or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors, or any such act or filing by an affiliate of Lessee which substantially impairs the capacity of Lessee to fulfill its performance under this Lease Agreement;

(iv) If Lessee or its shareholder shall be adjudicated a bankrupt under the Bankruptcy Act, discontinue its operations as the same are presently being conducted under Chapter 77 of the Bankruptcy Act, or this Lease Agreement shall at any time for any reason cease to be in full force and effect or be declared to be null and void, or the validity or enforceability thereof shall be contested in court or in any insolvency or reorganization proceeding by Lessee, the Trustee of Lessee's properties, any bankruptcy court or any other entity, or Lessee or any such person, shall deny that Lessee has any further liability under this Lease Agreement; or

(v) The subjection of any of the Lessee's property to any levy, seizure assignment, application or sale for or by any creditor or governmental agency. *

B. Upon the occurrence of any Event of Default, Lessor may, at its option, terminate this Lease

Agreement and also may proceed by appropriate court action to enforce performance by Lessee of obligations under this Lease Agreement or to recover damages (if any) for which Lessee is responsible at law, under contract or otherwise (and Lessee agrees to bear Lessor's costs and expenses, including reasonable attorney's fees, in securing such enforcements).

Nothing in this Section 8B shall be construed as an acknowledgment by either party that any damages are necessarily contemplated or will result from any Event of Default.

9. Termination

At the expiration or termination of this Lease Agreement as to any of the Boxcars, Lessee will surrender possession of such Boxcars which are on Lessee's railroad lines or on the line of an affiliate of Lessee to Lessor by delivering the same to Lessor at Lessor's expense. Lessee agrees to follow Lessor's instructions in directing railroads in possession of the Boxcars to return the Boxcars, at Lessor's expense except when a Boxcar is on the line of Lessee or an affiliate of Lessee. Lessor shall be entitled to 100% of the car-hire revenues collected by Lessee for the period after termination of this Lease Agreement and shall be responsible for all obligations relative to the Boxcars which accrue after such termination. Lessor shall accomplish such removal and replacement of railroad markings by either (i) directing Lessee to do so as to units in Lessee's possession or (ii) arranging to have the railroad in possession perform such work, all at Lessor's expense. Lessee shall provide up to one hundred and twenty (120) days free storage on its railroad tracks for any terminated Boxcar or Boxcars.

10. Indemnities

Lessor agrees to defend, indemnify and save harmless Lessee against any loss, liability, claim, damage or expense (including the reasonable cost of investigation and defending against any claim for damages) which Lessee may incur by reason of Lessee's performance under this Lease Agreement including (but not limited to) its leasing, using or storing of Boxcars during the term hereof, and save Lessee harmless against any claim or suit by reason of any accident resulting in damage to property or injury to any person, except any loss, liability, claim, damage or expense proximately caused by the negligence of ~~Lessor~~ ^{Lessee}. PwJ GM

Lessee agrees to defend, indemnify and save harmless Lessor against any loss, liability, claim, damage or expense (including the reasonable cost of investigation and defending against any claim for damages) which are proximately caused by the negligence of Lessee.

11. Warranties and Covenants

A. Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to perform its obligations under this Lease Agreement.

(ii) The entering into and performance of this Lease Agreement will not violate any judgment, order, law or regulation applicable to Lessee or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance

upon any assets of Lessee or on the Boxcars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound. The execution and delivery by Lessee of this Lease Agreement has been duly authorized, and this Lease Agreement constitutes a valid and binding obligation of Lessee enforceable in accordance with its terms. No consent, approval, authorization or order of any court or governmental agency or other body is required by or on behalf of Lessee to consummate the transactions contemplated herein.

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which will, in Lessee's opinion, result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(iv) There is no fact which Lessee has not disclosed to Lessor in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business condition or any material portion of the properties of Lessee or the ability of Lessee to perform its obligations under this Lease Agreement.

Upon request of Lessor, Lessee shall deliver to Lessor an opinion of its counsel addressed to Lessor, in form and substance satisfactory to Lessor which opinion shall confirm and be to the matters set forth in this Section 11.

B. Lessor hereby represents and warrants that it has full authority to enter into this Lease Agreement and to lease the Boxcars to Lessee as provided herein.

12. Inspection

Lessor at its own risk and expense shall at any time during normal business hours have the right to enter Lessee's premises where the Boxcars may be located for the purpose of inspecting and examining the Boxcars. Lessee shall to the extent practicable immediately notify Lessor of any accident connected with the malfunctioning or operation of the Boxcars including in such report the time, place and nature of the accident and the damage caused to property. Such report shall be given promptly after Lessee receives knowledge of such accident.

13. Miscellaneous

A. Except as set forth in Section 6, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by Lessor in connection with the acquisition of Boxcars. Upon receipt of notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such secured party or owner and/or that the Boxcars be returned to such party. However, Lessee shall have the right to cure Lessor's default under such financing agreement and Lessor agrees to reimburse Lessee for any amounts paid to such secured party or owner on behalf of Lessor.

B. This Lease Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of Lessor assign this Lease Agreement or any of its rights hereunder or sublease the Boxcars to any party, and any purported assignment or sublease in violation hereof shall be void.

C. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of this Lease Agreement.

D. It is expressly understood and agreed by the parties hereto that this Lease Agreement constitutes lease of the Boxcars only and no joint venture or partnership is being created. Notwithstanding the calculation of payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Boxcars except as a Lessee only and except as provided in Section 6(2) hereof.

E. This Lease Agreement shall be governed by and construed according to the laws of the State of Illinois.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States Mail, postage prepaid, certified or registered, addressed to the other party at the following addresses:

Emons Industries, Inc.,
490 East Market Street,
York, Pennsylvania 17403
Attention: President

Waterloo Railroad Company
233 North Michigan Avenue
Chicago, Illinois 60601
Attention: Treasurer

IN WITNESS WHEREOF, the parties hereto have
executed this Agreement as of the year and date first above
written.

WATERLOO RAILROAD COMPANY

By *W. Johnston*

Title: Vice President & General Counsel

Date *Aug. 23, 1978*

ATTEST:

R. E. Wise
ASSISTANT

Secretary

EMONS INDUSTRIES, INC.

By *J. W. Marino*

Title Executive Vice President

Date August 22, 1978

ATTEST:

Norman Lazar
Secretary

NOTARIAL ACKNOWLEDGEMENT OF RAILROAD'S EXECUTION

STATE OF ILLINOIS)
) SS
COUNTY OF C O O K)

I, John Falvey, a Notary Public in and for said County and State, hereby certify that PW Johnston ~~John B. Goodrich~~, of the WATERLOO RAILROAD COMPANY, who is personally known to me and known to hold the office of Vice Pres. ~~Secretary~~ of said corporation, and the same person whose name is subscribed in the above instrument as such officer, appeared before me this day in person in said State and County, and being by me duly sworn, did say that he held the aforesaid office in the Waterloo Railroad Company on the date of the execution of the said instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that the said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he acknowledged that he, being informed of the contents of the instrument as such officer, signed, sealed and delivered the said instrument by executing said instrument on behalf of the Waterloo Railroad Company as his own free and voluntary act as officer thereof and as the free and voluntary act and deed of the said corporation for the uses and purposes therein set forth. I further certify that the seal of said corporation as affixed to said instrument was attested and proven before me by J. B. Goodrich, as ~~asst~~ Secretary of said corporation.

R C Wiese

Given under my hand and seal of office in Chicago, Cook County, Illinois, this 23 day of Aug., 1928.

John Falvey
Notary Public

My Commission Expires 8/28/81.

10313-A

NOTARIAL ACKNOWLEDGEMENT

STATE OF PENNSYLVANIA)
) SS
COUNTY OF YORK)

I, Erdyce Horvatinovic, A Notary Public in and for said County and State, hereby certify that Joseph W. Marino, who is personally known to me, and known to hold the office of Executive Vice President of Emons Industries, Inc., and the same person whose name is subscribed in the above instrument as such officer, appeared before me this day in person in said State and county, and being by me duly sworn, did say that he held the aforesaid office in Emons Industries, Inc. on the date of the execution of the said instrument, and that the seal affixed to said instrument is the corporate seal of Emons Industries, Inc., and that the said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he acknowledged that he, being informed of the contents of the instrument as such officer, signed, sealed and delivered the said instrument by executing said instrument on behalf of Emons Industries, Inc. as his own free and voluntary act as officer of Emons Industries, Inc. and as the free and voluntary act and deed of the said corporation for the uses and purposes therein set forth. I further certify that the seal of said corporation as affixed to said instrument was attested and proven before me by

Herman Lazarus, as Secretary of said corporation.

Given under my hand and seal of office
in York, Pennsylvania, this 22nd day of
August, 19 78.

Erdyce Horvatinovic
Notary Public

MY COMMISSION EXPIRES
JANUARY 31, 1981

My Commission Expires YORK, YORK COUNTY, PA.